MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

SUPPLEMENTARY EXAMINATION

TRIMESTER 1, 2015/2016

PAT0075 – COST AND MANAGEMENT ACCOUNTING

(Foundation in Management)

17 NOV 2015
2.30 PM – 4.30 PM
(2 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FOUR** pages with **SEVEN** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED [100 MARKS]

Instructions: Answer **ALL** questions. Write your answers in the Answer Booklet.

QUESTION 1

Rossi Manufacturing has decided to use specific cost drivers to allocate its activity costs. Rossi has identified the following information for the current year:

Activity	Cost Driver	Activity Costs (RM)	Cost Driver Quantity
Storage	Number of parts	150,000	75,000 parts
Production	Number of machine hours	250,000	50,000 machine hours
Quality	Number of components	75,000	150,000 components
Security	Number of labour hours	180,000	18,000 labour hours

Rossi made 1,000 units of product Alpha during the month. Each unit requires four parts, one hour of labor, two hours of machine time, and 10 components.

REQUIRED

a) Determine the cost driver rate for each of the activities. (8 marks)

b) Calculate the total costs allocated to 1,000 units of product Alpha. (7 marks)

(Total 15 marks)

QUESTION 2

The following information relates to the West Shore Aquarium Manufacturing Company's aquarium production for 2015.

Beginning work-in-process inventory	None
Units started during year	6,500 units
Units completed	6,000 units
Ending work-in-process percent complete	20%
Current manufacturing cost	RM30,500

REQUIRED

a) Compute the ending work-in-process inventory units. (3 marks)

b) Compute the equivalent units of ending work-in-process inventory. (3 marks)

c) Calculate the total number of equivalent units of production for 2015. (3 marks)

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d) Calculate the manufacturing cost per equivalent unit of production. (3 marks)

e) Calculate the cost of ending work-in-process inventory. (3 marks)

(Total 15 marks)

QUESTION 3

Marks Company had the following costs:

Direct materials	RM60 per unit
Direct labour	RM50 per unit
Variable manufacturing overhead	RM40 per unit
Fixed manufacturing overhead	RM6,000 per year
Variable selling and administrative expenses	RM30 per unit
Fixed selling and administrative expenses	RM2,000 per year
Units produced	300 units per year
Normal output	300 units per year
Units sold	250 units per year
Sales price	RM400 per unit

REQUIRED

a) Calculate the unit product cost using absorption costing. (6 marks)

b) Prepare the income statement using absorption costing. (9 marks)

(Total 15 marks)

QUESTION 4

Anita's Art Gallery sells pictures for RM50 each. She pays RM20 for the print and frame, and pays the sales clerk 10% as a sales commission. She has RM5,000 of monthly fixed costs as well.

REQUIRED

a) Calculate the total variable costs per unit. (3 marks)

b) How many pictures does Anita need to sell in a month to break even? (4 marks)

c) How many pictures does Anita need to sell if she wants to make a RM3,000 profit this month? (4 marks)

d) Calculate the margin of safety percentage. (4 marks)

(Total 15 marks)

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QUESTION 5

Milo Company manufactures two items. Both have the same sales price and sales volume. However, due to the difference in production processes, Item A has higher variable costs and Item B has higher fixed costs. Management is considering dropping Item B because that product line has an operating loss as follows:

	Item A	Item B
Sales	RM150,000	RM150,000
Variable costs	RM130,000	RM127,500
Fixed costs	RM4,000	RM28,000
Net Income	RM16,000	(RM5,500)

If Milo Company discontinues Item B, 50% of the fixed costs for Item B are avoidable.

REQUIRED

a) Calculate the total net income for Milo Company using variable costing, if it continues both Items A and B. (6 marks)

b) Calculate the total net income for Milo Company using variable costing, if it discontinues Item B. (6 marks)

c) Should Milo Company drop Item B? Why or why not? (3 marks)

(Total 15 marks)

QUESTION 6

The president of DJH Tool Design is considering the purchase of an additional CAD metal cutting machine. The following estimates are available:

Initial outlay	RM300,000
Annual net cash inflow	RM70,000
Cost of capital	10%
Estimated life of machine	5 years
Estimated residual value	RM30,000

The discount factor and discount factor annuity at 10% are as follows:

Period	Present value of RM1 at 10%	Present value of ordinary annuity of RM1 at 10%
1	0.909	0.909
2	0.826	1.736
3	0.751	2.487
4	0.683	3.170
5	0.621	3.791

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REQUIRED

a) Determine the net present value of the CAD metal cutting machine. (6 marks)

b) Based on the net present value, is the purchase of machine acceptable? (2 marks)

c) Calculate the accounting rate of return of the CAD metal cutting machine. (7 marks)

(Total 15 marks)

QUESTION 7

The following information is available for the Super Clean Corporation. Super Clean plans to sell 80,000 bottles of product during the first quarter of 2016 at a price of RM10 per bottle. The monthly sales breakdown is as follows:

Month	Bottle
January	20,000
February	25,000
March	35,000
April	30,000
May	32,000

Super Clean purchases each bottle at a cost of RM5. At the beginning of January, Super Clean plans to have 4,000 bottles on hand and plans to maintain an ending inventory of 20% of the next month's sales.

REQUIRED

Prepare production budget in units for the first quarter of 2016.

(Total 10 marks)

End of Paper